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January 10, 1997
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

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BY HAND

Mr. William F. Caton
Office of the Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

Re: In the Matter of Federal-State Joint Board on Universal
Service, CC Docket No. 96-45

Dear Mr. Caton:

Transmitted herewith on behalf of the State of Alaska are an original and four copies of the "Reply Comments of the State of Alaska" in the above-referenced proceeding.

In the event there are any questions concerning this matter, please communicate with the undersigned.

Very truly yours,


Robert M. Halperin

Enclosures

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Before the
FEDERAL COMMUNICATIONS COMMISSION
 Washington, DC 20554

JAN 10 1997

FEDERAL COMMUNICATIONS COMMISSION
 OFFICE OF SECRETARY

In the Matter of)	
)	
Federal-State Joint Board)	CC Docket No. 96-45
on Universal Service)	

REPLY COMMENTS
OF THE STATE OF ALASKA

Introduction

Universal service is more than an abstract phrase in federal telecommunications law. It is a fundamental principle, one that assures that essential telecommunications services are provided to all Americans. It reflects the recognition that the telecommunications network of this Nation is more valuable if it can be used to reach and teach all Americans, particularly those who might not otherwise be reached or taught.

The State of Alaska ("the State" or "Alaska"), having reviewed the comments filed in response to the Common Carrier Bureau's November 18, 1996 public notice (DA 96 1891),¹ commends the Federal-State Joint Board on its efforts to implement the universal service section of the Telecommunications Act of 1996. Successful implementation of that section is critical to the social, economic,

¹ The State agrees with the comments of the Alaska Public Utilities Commission filed in response to the November 18, 1996 public notice. For the sake of brevity, the points made in those comments will not be repeated here.

educational and health care needs of all Americans, particularly those living in rural and high cost areas.

Comments

The record in this proceeding is enormous and sometimes the "forest" can get lost in the "trees." If the Commission is to implement Congressional intent in an accurate and meaningful way, however, it must not lose sight of the following important points:

(1) **Universal service support is critical to maintaining affordable telephone service in Alaska and other rural and high cost areas.** Current levels of universal service support are essential just to maintain existing levels of telecommunications service in Alaska. The Alaska Public Utilities Commission ("APUC") has presented data to the Commission showing that even the most basic of telecommunications services are not universally available in Alaska. About 75 percent of all communities in Alaska have telephone penetration rates below 80 percent, with many locations below 50 percent.² Telephone penetration rates (and service quality) are hampered by extraordinarily difficult topographic and climatologic conditions, sparse population density, and low incomes.³ Many

² Comments of the APUC in CC Docket No. 80-286, dated Oct. 9, 1995 ("APUC Comments"), at 2 and Appendix A.

³ See *Final Recommended Decision*, Integration of Rates and Services, CC Docket No. 83-1376, FCC 93J-2, at ¶ 58 (Joint Board, Oct. 29, 1993); *Tentative Recommendation and Order Inviting Comments*, Integration of Rates and Services, CC Docket No. 83-1376, 8 FCC Rcd 3684, 3686 at ¶ 17 (Joint Board, May 17, 1993); *Supplemental Order Inviting Comments*,
(continued...)

communities cannot be accessed by ground transportation and air transportation is often impossible due to meteorological conditions, making telecommunications an essential lifeline. Residents in many areas of the State have minimal incomes, with 20 percent of families in some areas living below the poverty line.⁴

In the Telecommunications Act of 1996, Congress for the first time explicitly included notions of affordable telecommunications services in the Nation's laws. 47 U.S.C. § 254(b)(1), (3). As existing universal service support mechanisms are changed, steps must be taken to assure that new universal service support systems do not lead to telephone service rate increases in high cost areas such as Alaska. The Joint Board recommendation to base universal service support for rural local exchange carriers ("LECs") in Alaska on embedded costs recognizes this fundamental point. The Commission should make sure that other changes to universal service and separations rules, however, do not undercut that recommendation by either adding to intrastate cost levels or reducing the eligible number of lines, unless concomitant adjustments in universal service support are also made.

The State disagrees with the recommendation of the Joint Board that a carrier serving a high cost area receive a lower level of universal service support

³(...continued)

Integration of Rates and Services, CC Docket No. 83-1376, 4 FCC Rcd 395, 396 at ¶ 7 (Joint Board, Jan. 3, 1989).

⁴ APUC Comments at 2 & n.4. For example, 26.2 percent of families in the Bethel Census Area and 21.6 percent of the families in the Dillingham Census Area have incomes below the poverty line. *Id.*

for providing service to a single line business than to a residence. See Recommended Decision at ¶¶ 91-92. As the Joint Board implies (at ¶ 92), treating all single line customers in the same manner for universal service purposes is not inconsistent with the Telecommunications Act, and there are good policy reasons for doing so. Such support will further universal service principles, particularly social and economic integration of rural and high cost areas. Single line businesses are an important source of employment in high cost areas. In rural Alaska, for example, almost 22,000 people are employed by employers with 9 or fewer employees. It is likely that a significant number of the approximately 8,000 employers for whom they work are single line businesses. Moreover, as the Joint Board recognizes (at ¶ 91), there are many similarities between residential and single-line business customers; both require access for public health, public safety, and employment reasons, and most (particularly in Alaska) lack options for competitive local telephone service. The Joint Board also noted that the Commission has treated single-line businesses and residences the same in the past.⁵

(2) Universal service support for schools and libraries is essential if Alaska and other remote and high cost areas are to join the rest of the Nation in the Information Age. Given the remoteness, harsh terrain, difficult climate, and

⁵ See Recommended Decision at ¶ 91, n. 264, citing *In the Matter of MTS and WATS Market Structure*, Memorandum Opinion and Order, 101 FCC 2d 1222 (1985) (all single line subscribers -- business and residential -- pay the same subscriber line charge).

widely dispersed population in Alaska, Alaskans must rely to a greater extent than most Americans on telecommunications both to educate their children and to continue to develop their own job related skills. Schools and libraries, particularly in rural areas, must have affordable access to the Internet so that Alaskans can have the same access to information sources as other Americans. The Joint Board recommendations for universal service support for schools and libraries generally recognize the importance of universal service and Internet access in areas such as Alaska by (a) providing greater discounts in high cost and less affluent areas⁶ and (b) including Internet access and inside wiring costs as eligible for support.⁷

(3) Universal support for rural health care providers is also critically important to Americans living in remote and hard to reach locations, such as rural Alaska. People living in the vast rural areas of the State do not have access to the same health care resources as most Americans. Trained health care personnel

⁶ If the Commission turns to the national school lunch program as a measure of the need of a community for universal service support for its schools and libraries, it should, as the Joint Board recommended, base such support on the percentage of students who are *eligible* to obtain free or reduced cost lunches, not the percentage of students who actually *participate* in the school lunch program. See Recommended Decision at ¶¶ 569-70.

⁷ The Commission should reject suggestions made by some commenting parties that a cap be placed on the amount of universal service support to be provided to any particular institution. Caps applied to individual institutions would be arbitrary and accomplish nothing other than making sure that those institutions needing universal service support the most receive an inadequate amount of assistance. The Joint Board already has recommended a cap for all universal service support for all schools and libraries; this recommendation protects against the risks of undue financial exposure.

and modern health care facilities may be neither nearby nor accessible by land transportation. Yet, the telecommunications infrastructure is generally not capable of providing many Alaskans the advantages of telemedicine. In enacting Section 254(h), Congress necessarily recognized that those who need telemedicine the most are those who are least likely to be served. Otherwise, what purpose do the provisions of this section relating to rural health care providers serve?

The universal service fund must address this situation. Some commenting parties have argued that the universal service fund should not be used for infrastructure development because it would be unfair to carriers who have already invested in infrastructure development.⁸ These arguments ignore the fact that in some areas of the Nation, including rural Alaska, the infrastructure for telemedicine is not present.

Even if the Commission concludes that the universal service fund should not support infrastructure development needed to serve *all* rural health care providers, it should *not* conclude that *no* infrastructure development should be supported. It should then limit support for infrastructure development for telemedicine to locations in which the needs are greatest. It could, for example, limit support for telemedicine infrastructure development to those rural areas that (a) lack the infrastructure to deliver telecommunications services for rural health

⁸ *E.g.*, Comments of Ameritech at p. 5.

care providers that are to be supported,⁹ and (b) are sufficiently remote or medically underserved as to make telemedicine a critical element of health care delivery. The State notes that the Department of Health and Human Services ("HHS") maintains lists of medically underserved areas that could be used for this purpose.¹⁰

(4) The Joint Board properly recommended a broad federal universal service program. Congress clearly intended that all Americans, regardless of where they reside, obtain affordable telecommunications services and access to information services and telemedicine. 47 U.S.C. § 254(b)(1), (2), (3), (6). States in

⁹ Thus, one firm would not be able to develop its infrastructure with universal service support if another firm already has invested and developed an infrastructure adequate to deliver telecommunications services that are eligible for rate support. No competitive imbalance, therefore, would be created.

¹⁰ HHS's Health Resources and Services Administration, Bureau of Primary Health Care, Division of Shortage Designation annually publishes lists of health professional shortage areas primarily for the purpose of assigning National Health Service Corps personnel. *See Lists of Designated Primary Medical Care, Mental Health, and Dental Health Professional Shortage Areas*, 61 Fed. Reg. 69,136 (Dec. 31, 1996) for the most recent lists. The same office also maintains a list of medically underserved areas/populations ("MUA/Ps") used to place community health centers and rural health clinics. The State would be pleased to work with Commission staff to determine which of these or other preexisting lists containing rural areas with great health care needs would best fulfill the purposes of Section 254(h) of the Communications Act.

The State agrees with the Joint Board that the thrust of Section 254(h)(1)(A) is that disparities in telecommunications rates based on distance should be reduced or eliminated by universal service support (*id.* at ¶ 672), and urges the Commission to provide universal service support for rural health care providers so that they do not pay more for a given telecommunications functionality than users in urban areas.

which the universal service support needs are greatest will, by definition, be those in which (a) costs are highest, (b) current levels of telecommunications infrastructure development are lowest, and (c) because these areas tend to be sparsely populated, intrastate telecommunications revenues are the lowest. Congress could not possibly have intended that each state contribute to universal service support to the same degree that its carriers or residents will be benefited. Had it so intended, it merely would have required states to devise their own universal service programs and not required the FCC to do so. Indeed, as the Commission has previously recognized, expanding subscribership and use of the telecommunications network "benefits all Americans by improving the safety, health, education and economic well-being of the nation."¹¹

Conclusion

The State believes that the principles of universal service embodied in Section 254 of the Communications Act would be furthered by adoption of a

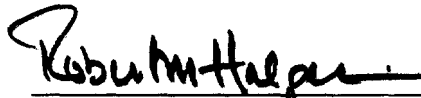
¹¹ *Amendment of the Commission's Rules and Policies to Increase Subscribership and Usage of the Public Switched Network*, Notice of Proposed Rulemaking, 10 FCC Rcd 13003, 13004 at ¶ 4 (1995).

In addition, the State agrees with the Joint Board that the Commission should not authorize a specific retail end-user surcharge (i.e., separate line item) for the recoupment of a carrier's universal service contributions. See Recommended Decision at ¶ 812. The State recognizes that ultimately consumers bear universal service costs, but an end-user surcharge would be politically divisive along both interest group and geographic lines and, therefore, not the stable and predictable source of funding that Congress intended. See 47 U.S.C. § 254(b)(5). Indeed, there is ample precedent for not imposing such a surcharge. There is no retail end-user surcharge for the current universal service fund; nor is there a retail end-user surcharge on other federal information transmission programs such as postal service.

universal service plan that (1) prevents increases in telephone service rates in high cost areas, such as Alaska; (2) provides needed support for schools and libraries as proposed by the Joint Board; (3) provides support for telecommunications services for rural health care providers, including support for telecommunications infrastructure development in appropriate circumstances; and (4) recognizes that universal service must be approached as a national priority because all Americans are benefited by expanded subscribership and use of the Nation's information highway.

Respectfully submitted,

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January 10, 1997

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I hereby certify that a copy of the foregoing Reply Comments of the State of Alaska were served by hand delivery or first-class mail, postage prepaid on this 10th day of January, 1997 to the following:

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